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C O N F I D E N T I A L SECTION 01 OF 02 ACCRA 000611

SIPDIS

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TAGS: [EAID](#) [GH](#)

SUBJECT: IMF REP'S PRIMARILY POSITIVE READOUT

Classified By: Ambassador Mary Carlin Yates for reasons 1.5 (b)  
and (d)

**¶11. (SBU)** Summary: Ambassador Mary Carlin Yates and econoff visited Enrique de la Piedra, the IMF Resident Representative on March 20. De la Piedra offered a positive readout of the Budget now under Parliamentary review and Multiple Donor Budget Support. The Resident Representative finds affinity with his working level colleagues and leadership in the Bank of Ghana and the Ministry of Economic Planning and Regional Cooperation, finds it occasionally difficult to work with the Ministry of Finance and is wary of the messages put out by the Minister of Trade and Industry. End Summary.

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The Budget  
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**¶12. (U)** Despite the surprise tariff increases, de la Piedra was very positive about the Budget (septel). The IMF was looking for adequate revenue mobilization (i.e. taxes) effort and zero domestic debt financing. The IMF also is seeking better expenditure controls. There are revenue enhancement measures in the budget that please the IMF. He also noted that the government understands that it cannot encourage investment if banks realize bigger gains assuming government debt instead of lending to local businesses. The GoG's spending will have to come under control. De la Piedra was slightly concerned about timing, as control of domestic debt and expenditure and revenue mobilization are usually more difficult in an election year.

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Multi Donor Budget Support  
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**¶13. (U)** The Ambassador asked about Multi Donor Budget Support (MDBS) in Ghana and pointed out that better coordination between donors is a logical step. The Resident Representative sees Multi Donor Budget Support as an overall plus for both sides. The Government of Ghana saves on transaction costs for financing projects and the donors increase their clout in Ghana and the region. De la Piedra cautioned that the only way MDBS will work is if the GoG uses the funds adequately to address the needs of the Ghanaian people. The money will not be available in the future if the funds are misused now. The Ambassador did not share the current position of USAID that the USG will not be able to sign this framework agreement but this was stated at the March 24 Mini-CG held in Accra.

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Bank of Ghana  
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**¶14. (U)** De la Piedra, The International Monetary Fund Resident Representative, described himself as a link between the IMF team in Washington, the Government of Ghana and the donor partners. He has good relations with his interlocutors at the Bank of Ghana (BOG), noting that Bank Governor Paul Acquah and his special assistant, Mahamadou Bawumia speak the same language as the IMF. He commented that the Bank Governor is doing well in a difficult job. De la Piedra noted how the tables have turned for Acquah, a 20-year veteran of the IMF, now answering to Ghana's market and political pressures as well as the donor community. Overall, de la Piedra believes the BOG is on the right track. It is keeping monetary policy under tight control and working to improve the financial market (i.e., Acquah's work to improve the FOREX market).

**¶15. (U)** The more difficult issue, according to de la Piedra, is restructuring the Bank of Ghana itself. Ambassador Yates noted Acquah's concern about capturing more of the funds that are currently outside the banking system. De la Piedra responded, saying that the primary concern should be the market itself, i.e., what is in the banking sector, not what is not. The Bank needs to create incentives for people to bring their money into the formal banking sector.

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Ministry of Economic Planning and Regional Cooperation  
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**¶16. (C)** De la Piedra's primary concern is the linking of the Ghana Poverty Reduction Strategy to the Budget, a difficult

task due to the internal wrangling between Minister of Economic Planning and Regional Cooperation Paa Kwesi Nduom and the Minister of Finance, Yaw Osafo-Maafo. De la Piedra also confided that there is some suspicion that Nduom, a minority party candidate (Convention People's Party) from Cape Coast, was awarded his position because he was "robbed" of the Parliamentary seat. Nevertheless, Nduom is doing well with a small but talented staff. De la Piedra also weighed in the Cabinet shake-up rumors that have plagued the Kufuor Administration for the last year and half by noting that Nduom has been mentioned as a replacement Minister of Finance should Osafo-Maafo stumble.

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Ministry of Finance  
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**¶7.** (SBU) While he found the BOG pragmatic, he observed the Minister of Finance Osafo-Maafo and his Special Assistant Tony Osei to be primarily politically motivated. De la Piedra noted that during the rocky period between the IMF and the GOG last fall, it was difficult to get on the same page as the Finance Minister regarding the problems with the budget overruns.

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Ministry of Trade and Industry

**¶8.** (C) Most worrying to de la Piedra is the Minister of Trade and Industry Kofi Konadu Apraku. De la Piedra sees a trend in Apraku's public speeches and comments that is not good. De la Piedra saw the rice and chicken tariff increases in the budget as the handiwork of Minister Apraku. De la Piedra warned that we (the international donor community) need to apply more pressure on the tariff issue to ensure that Ghana does not go that route. (Note: The Ambassador raised the issue and our concerns about the augmented tariffs on rice and poultry with the Minister of Agriculture on March 26, but with little satisfaction.) The domestic content bill is another example of Apraku's artful vilification of trade liberalization policies. While the bill will conform in language to Ghana's bi- and multi- lateral contractual obligations, domestic firms will be given more help (unspecified).

YATES